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# Professional Ethics and Values of Certified Public Accountants

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## Are CPAs Characteristic of Today's Society?

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By Bruce Swindle, Lonnie D. Phelps and Reuben Broussard

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According to many observers of societal trends, the United States is experiencing a shifting of values. There is general agreement [Steiner, 1985] that values are shifting:

- from considerations of quantity ("more") toward considerations of quality ("better")
- from profligate use of resources to conservation
- from the concept of independence toward the concept of interdependence (of nations, institutions, individuals, all natural species)
- from mastery over nature toward living in harmony with it
- from the primacy of technical efficiency toward considerations of social justice and equity
- from the dictates of organizational convenience toward the aspirations of self-development in an organization's members
- from authoritarianism and dogmatism toward participation
- from uniformity and centralization toward diversity and pluralism
- from the concept of work as hard, unavoidable, and a duty toward the recognition of leisure as a valid activity in its own right
- from the satisfaction of private material needs toward the awareness of the need to attend to social wants

These shifting values have profound implications for business and the accounting profession. Society's values form a set of standards for

determining what is ethical or acceptable behavior on the part of its members. Thus, public confidence is developed or maintained only as behaviors coincide with public expectations.

Public confidence in business has deteriorated significantly in recent years. According to a Harris poll [U.S. News and World Report, 1982], only sixteen percent of the U.S. population has "a great deal of confidence" in the people who run our major corporations. By comparison, this statistic was fifty-one percent only twenty years ago. Some questions remain about whether the ethics of business have actually declined or whether society's expectations have simply increased. Business may be more ethical than in the past, but it has not kept pace with society's demands.

The accounting profession, like business in general, is experiencing a confidence crisis. The changing society demands that the profession evaluate its existing standards of professionalism, integrity, ethics, and commitment to the public interest [Anderson, 1985]. Questions have been raised concerning the responsiveness of the profession to changes in society's values and society's expectations of ethical behavior. The authors investigated the issue of values and ethics in the accounting profession by asking one thousand CPAs randomly selected from the *AICPA List of Members, 1984*, to respond to a mail question-

naire. Usable responses were obtained from 224 CPAs, resulting in a response rate between 22 and 23 percent. Specifically, the authors questioned CPAs to determine:

- a) what values are important to them
- b) how accepting they are of ethically questionable behaviors
- c) their assessment of the acceptance of ethically questionable behaviors by other CPAs
- d) the rationales used by CPAs in making ethical judgments.

## What Values Are Important to CPAs?

Values are defined by sociologists as strong, enduring beliefs about the desirability of certain end states of existence. To say that one embraces "world peace" as an important value means that this value is a "super goal" or "an ideal" that guides the person's behavior. This goal is what the person considers to be truly important in life — the bottom line. Generally, it is believed that a person is really known when that individual's personal values are known.

Using the Rokeach Value Survey, the authors elicited responses from a national sample of CPAs about their personal values. The survey has been used widely in the United States and other countries and is an accepted measure of values. The survey instructs the respondent to rank a list of eighteen values in order of importance as guiding principles in his or her life.

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A composite values profile of the 224 responding CPAs is in Table 1. The composite ranks reported in Table 1 are median rankings. The respondents placed most importance on personal-oriented as opposed to social-oriented values. "Family security" (1), "self-respect" (2), and

**TABLE 1**  
**Values Profile of CPAs**

Rank	Value
1	FAMILY SECURITY (taking care of loved ones)
2	SELF-RESPECT (self-esteem)
3	HAPPINESS (contentedness)
4	FREEDOM (independence, free choice)
5	INNER HARMONY (freedom from inner conflict)
6	WISDOM (a mature understanding of life)
7	TRUE FRIENDSHIP (close companionship)
8	A SENSE OF ACCOMPLISHMENT (lasting contribution)
9	MATURE LOVE (sexual and spiritual intimacy)
10	A COMFORTABLE LIFE (a prosperous life)
11	SALVATION (saved, eternal life)
12	A WORLD AT PEACE (free of war and conflict)
13	AN EXCITING LIFE (a stimulating, active life)
14	PLEASURE (an enjoyable, leisurely life)
15	EQUALITY (brotherhood, equal opportunity for all)
16	SOCIAL RECOGNITION (respect, admiration)
17	NATIONAL SECURITY (protection from attack)
18	A WORLD OF BEAUTY (beauty of nature and the arts)

"happiness" (3) are more important to the respondents than are the values of "a world of beauty" (8), "national security" (17), and "social recognition" (16). Are the respondent's values a reflection of society's values? Some observers of the changes in America's values say "no" [Steiner, 1985]. The personal orientation of the respondents does not appear to correspond precisely with reports that society's values are shifting from the concept of independence to the concept of interdependence, that is, away from a personal orientation toward a social orientation.

The respondents' emphasis on "family security" (defined as taking care of loved ones) indicates that the "good life" may be defined by CPAs as possessing a large monetary component. That is, CPAs may want "more" as well as "better" for their families. ("A comfortable life" or prosperity is not high on the list. Only when the family is considered does prosperity become important.) This emphasis does not appear to mirror the moving of society's values away from considerations of quantity ("more") toward considerations of quality ("better").

Aesthetic values are relatively less

important to the respondents than are the personal-oriented values. "A world of beauty" was ranked eighteenth. This is not to say CPAs do not appreciate the aesthetic, but that when forced to choose, select values other than aesthetic as most important.

The position of "salvation" in the rankings requires some clarification. Actually, "salvation" was ranked first or last by a large majority (over 65%) of the respondents. When these extremes were used to calculate a median, the composite rank of eleven resulted. No other value was unique

in this regard in that no other value evoked two extreme rankings.

Finally, the respondents are fairly indifferent toward "equality" as a major life influence. This observation appears to differ from the reported trend of society towards stronger considerations of social justice and equity. Perhaps CPAs are not accepting what some describe as a shift from equal opportunity to equal entitlements. Equal entitlements means that instead of all having the same "starting line," all are promised an even finish. The results of the survey indicate that CPAs do not place social justice high on their list of priorities.

**P**ublic confidence in business has deteriorated significantly in recent years.

### Ethics of CPAs

To observe how CPAs might address ethical dilemmas, six vignettes were presented to the respondents. The vignettes cover a wide range of ethical situations, from questions of personal integrity (Vignette 2) to questions of conflict of interest (Vignette 6). The vignettes focus on the following issues:

- Vignette 1 — Use of "insider" information for personal gain.
- Vignette 2 — Product safety standards.
- Vignette 3 — Padding a time report.

**TABLE 2**  
**CPAs' Responses to Ethical Questions**

Vignette Number	Situation	CPAs' Response (Average)	Others* (Average)
1	Stock Purchase	4.01	3.81
2	Substandard Work	4.58	4.11
3	Padding on a Time Report	4.57	4.34
4	Fund-Raising	2.46	2.37
5	Compensation for Referral	2.64	2.44
6	Information About A Competitor	3.36	3.26

\*Responding CPAs' judgments of how most CPAs would respond



- Vignette 4 — Personal use of company resources.
- Vignette 5 — Payment for client referral.
- Vignette 6 — Providing information about previous employer to present employer.

The CPAs were asked to indicate on a scale of one to five their judgment of the acceptability of the behavior (1 - totally acceptable, 5 - totally unacceptable). In addition, they were asked to indicate how they believed other CPAs would assess the acceptability of the behavior. Finally, the CPAs were asked to explain why they answered as they did. Five of the vignettes have been used in other studies of the ethical behavior of professionals. However, the vignettes were modified to better address issues of CPAs in this study, and one vignette was written specifically for this study. The six vignettes are listed below.

Several significant observations about CPAs' responses can be made (Table 2). First, for only one vignette was the average response on the unethical half of the scale (i.e., 2.50). Responding CPAs were far more tolerant of the questionable behaviors described in vignette four — fund-raising.

The responding CPAs were far less accepting of the actions illustrated in vignette one, stock purchase; vignette two, substandard work; and vignette three, padding a time report. The CPAs classified the actions in these three vignettes as very unacceptable (i.e.,  $< 4.00$ ). The remaining two vignettes, compensation for referral and information about a competitor, were also placed by CPAs on the unacceptable half of the scale ( $< 2.50$ ).

For each of the six vignettes, the responding CPAs rated other CPAs' assessments of the acceptability of the behavior as being less ethical than their own. That is, the respondents believe themselves to be more ethical than their peers, a result also observed by Baumhart [1961]. Perhaps, then, a more accurate picture of the behavior of CPAs in general is the respondents' judgments of how other CPAs would respond.

## What Rationales Do CPAs Use For Making Ethical Decisions?

Traditional philosophy discussions

### 1. Stock Purchase [Loeb, 1971]

While visiting in the office of a manufacturing company, Leslie Dennison noticed by accident a report which obviously indicated the manufacturing company had just won a tremendous contract. Dennison glanced over the document while alone in the office. The contract would allow the company to have reported earnings substantially higher in the future than they have been in the past. Information about this contract is still very confidential. Dennison bought a large quantity of stock in this manufacturing company.

### 2. Substandard work [Fritzsche and Becker, 1984]

Jack Ward's firm received a large contract to manufacture transaxles to be used in a new line of cars soon to be introduced. The contract is very important to the continued economic viability of Jack's firm. An examination of recently completed safety test reports showed that the transaxle tended to fail when loaded at more than 20% over rated capacity. The auto manufacturer's specifications called for a transaxle carrying 130% of rated capacity without failing. Given the likelihood of failure and the lack of time to redesign the transaxle, Jack decided to go ahead with the delivery.

### 3. Padding a Time Report

All personnel, including the partners, of the large public accounting firm for which Joy Bradley works, are required to complete weekly time reports. These reports indicate how many of the employees' hours were devoted to their various tasks. Bradley's firm traditionally has looked favorably on "billable hours" and unfavorably on idle, unassigned, or nonbillable hours. Bradley is a CPA in this firm. She is above the lowest level of the organization but is not a partner. Bradley is now completing her weekly time report. This report would indicate the fifth consecutive week with a large quantity of idle time. Bradley believes she will receive a low personnel evaluation if this situation continues. She decided to "pad" the billable hours on the time report.

### 4. Fund-Raising [Loeb, 1971]

Mary Hart is an executive in a nonaccounting service profession. She is the chairperson of a fund-raising drive for a local hospital. She decided to solicit contributions for the hospital by writing letters on her firm's letterhead.

### 5. Compensation For Referral [Loeb, 1971]

Joe Jackson is an executive in a nonaccounting service profession. A customer, Mr. Hyatt, refers a new customer, Mr. Watson, to Mr. Jackson. Mr. Hyatt indicates that he expects some small compensation from Jackson for this "service." Compensation satisfactory to Mr. Hyatt would be a dinner, a small gift, and a reduced fee for the remainder of the current year. Jackson compensated Hyatt accordingly.

### 6. Information About a Competitor [Fritzsche and Becker, 1984]

Bill Smith has recently accepted a job with a young, vigorous microcomputer manufacturer. The microcomputer manufacturers are engaged in intense competition to become the first on the market with a software package which utilizes the English language and thus is easily used by the average customer. Smith's former employer is rumored to be the leader in this software development. When Smith was hired he was led to believe this selection was based upon his management potential. The morning beginning the third week on the new job, Smith received the following memo from the president: "Please meet with me tomorrow at 8:15 for the purpose of discussing the developments your former employer has made in microcomputer software." Smith provided the new employer with the software information.

## Questions have been raised concerning the responsiveness of the profession to changes in society's values and society's expectations of ethical behavior.

characterize people's ethical reasoning as basically teleological or deontological. The teleologically reasoning person, or utilitarian, makes ethical decisions based on the consequences of the action. Moral worth is determined solely by the consequences of action or practices (i.e., a cost/benefit approach) [Beauchamp and Bowie, 1979]. A utilitarian view judges an action to be "ethical" if the consequences benefit society more than the costs incurred by society. An "unethical" action would be one which has greater costs to society than benefits.

A deontologist views certain acts, in and of themselves, as appropriate (ethical) and others acts not appropriate (unethical) based on certain ethical absolutes. Regardless of consequences, the moral absolutes should not be broken. For example, the deontologist would say stealing is always unethical because stealing is morally wrong.

Each responding CPA was asked to write a few words as a reasoning for the acceptable/unacceptable

rankings discussed above. Their reasonings were characterized into the two basic philosophical groups. Group 1 represents the teleological view, the resolution of ethical dilemma according to the likely consequences of actions. Group 2 represents the deontological resolution of ethical decisions according to moral absolutes. Table 3 presents these classifications by vignette.

The CPAs in this study are primarily teleological. Fifty-eight percent of the ethical choices were made on the basis of a cost/benefit analysis of the consequences of the behavior. Forty-two percent of the decisions were made by a standard of moral imperative or moral duty.

For five of the six vignettes, the teleological rationale was the predominant rationale. Only for "padding the time report" was the deontological view predominant.

### Summary and Conclusion

The CPAs of today's society appear to have values which are personal-oriented as opposed to social-oriented. "Family security," "self-respect," and "happiness" were listed by the responding CPAs as their three most important values, their most important "super goals."

CPAs do not seem to emphasize the values that, according to some authorities, are characteristic of today's society. The three most obvious explanations for this conclusion are (1) CPAs' values are not representative of society's values, (2) the authorities are incorrect in their views of society's values, or (3) the selected sample is not represen-

tative of the population.

The CPAs responded to questions concerning ethical dilemmas portrayed in six vignettes. In most cases, the CPAs rejected the "unethical" actions illustrated. Also, in no cases did the sampled CPAs clearly accept the actions of the vignettes. The CPAs believe themselves to be ethical, but they believe that other CPAs are less ethical; however, the CPAs did not rate others as being on the unethical half of the scale.

In five of the six vignettes used in this study, the teleological theory was the dominant rationale used by the CPAs. That is, ethical judgments are made on the basis of a consideration of costs and benefits of the consequences. The deontological rationale, which is based on the ethical acceptability of the act itself regardless of consequences, was the predominant rationale for only one vignette.  $\Omega$

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**TABLE 3**  
**Rationales Used By CPAs In Ethical Decision Making**

Vignette	Group 1 (Consequences)	Group 2 (Moral Imperative)	Total
Stock Purchase	123 (63%)	73 (37%)	196
Substandard Work	110 (54%)	94 (46%)	204
Padding on Time Report	77 (40%)	114 (60%)	191
Fund-Raising	112 (55%)	90 (45%)	202
Compensation for Referral	158 (77%)	47 (23%)	205
Information About a Competitor	109 (57%)	81 (43%)	190
Total	689	499	1,188
Overall Percentages	58	42	

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